

Education Scotland Annual accounts

2014-15



An Executive Agency of the Scottish Government

Laid before the Scottish Parliament by the Scottish Ministers 29 June 2015
Annual accounts authorised for issue 22 June 2015

SG/2015/86 Published by Education Scotland 30 June 2015

© Crown copyright, 2015

You may re-use this information (excluding images and logos) free of charge in any format or medium, under the terms of the Open Government Licence providing that it is reproduced accurately and not in a misleading context. The material must be acknowledged as Education Scotland copyright and the document title specified.

To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at:

Education Scotland
Denholm House
Almondvale Business Park
Almondvale Way
Livingston
EH54 6GA
Tel: 0141 282 5000

e-mail: enquiries@educationscotland.gov.uk

1. Contents

- 01 | [Strategic Report](#)
- 02 | [Key Performance targets](#)
- 03 | [Sustainability Report](#)
- 04 | [Financial review](#)
- 05 | [Directors Report](#)
- 06 | [Remuneration Report](#)
- 07 | [Statement of Accountable Officer's Responsibilities](#)
- 08 | [Governance Statement](#)
- 09 | [Independent auditor's report](#)
- 10 | [Financial Statements](#)
- 11 | [Notes to Financial statements](#)
- 12 | [Direction by Scottish Ministers](#)

Management Commentary

STRATEGIC REPORT

Accounts direction

The accounts have been prepared in accordance with a direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000. This direction is shown as an appendix to the accounts.

History and statutory background

Education Scotland was established on 1 July 2011 as an Executive Agency of Scottish Ministers under the terms of the Scotland Act 1998. Education Scotland brought together the work of Learning and Teaching Scotland (LTS), HM Inspectorate of Education (HMIE) and some functions previously carried out by the Scottish Government, in particular the teams responsible for Continuing Professional Development and Positive Behaviour. The organisation is an Executive Agency of the Scottish Government and is responsible for supporting quality, improvement and equity in learning and teaching from early years to adult and community learning.

Education Scotland is the key national improvement agency for education in Scotland. Our ambition is for ensuring that Scottish education ranks among the best in the world and for excellence at all ages and stages from early years to school years to post school education and training and on to adult learning provision. Details of our vision, values and commitments are detailed in our Corporate Plan 2013-16.

The organisation's status as an Executive Agency means that it operates independently and impartially, whilst remaining directly accountable to Scottish Ministers for its standards of work.

Improvements in the education sector should impact on the wider community and therefore contribute significantly to the Scottish Government's National Outcomes. We actively engage with health, social services and other sectors to provide a more integrated service to improve the wellbeing and opportunities for learners.

Education Scotland employs 349 staff (334 Full time equivalent) who are based at seven offices and a data distribution centre in Dundee. Four offices are within the central belt, (Glasgow, Clydebank, Livingston and Edinburgh) with other offices in Dundee, Aberdeen and Inverness. We engage a number of education practitioners as secondees who bring with them the most current thinking and practice within the education profession and are able to take back to their employing organisations, ideas and practice to support improvements.

Strategy and Business model

Education Scotland's vision is to transform lives through learning. We have a three year corporate plan which has six strategic objectives to support the delivery of our key aims. Five relate to the impact Education Scotland can make to support external stakeholders and the sixth relates to how we can improve our own organisational effectiveness and capability. Our annual business plan sets out the detail of the key work programmes for the year. This is subject to change during the year as we respond to new initiatives and commitments. Our performance is reported in the annual performance review and this

focusses more on outputs and the impact which our work has. We strive to maximise our effectiveness from staff and non- staff resources to ensure we continue to deliver on the objectives we have set but with less Scottish Government funding.

Education Scotland’s expenditure for 2014-15 was £3.8m over budget. The main reasons for the overspend were:

- Unfunded commitments for ICT in Learning projects;
- Unfunded commitments for the Schools Improvement Partnership Project (SIPP);
- Provision for a potential VAT liability.

Expenditure on ICT in Learning totalled £7.6m and £5m was transferred from the Scottish Government to cover these costs. Education Scotland was unable to meet the balance of £2.6m from within its core funding allocation. SIPP grants of £0.6m were issued during the year and again Education Scotland was unable to absorb these costs from within core funding. A provision of £1m was set up to cover the cost of a potential VAT liability for seconded and supply staff undertaking inspections and developing curriculum guidance. Clarification from HMRC is still awaited but we have created a provision for the estimated VAT liability. The Learning directorate were alerted to this position earlier in the year and have agreed to fund these additional costs from within the underspend in other areas of the Learning directorate.

Key Performance Targets

Key performance targets and outcomes are reported more fully in the annual review.

- Delivery of the required number of inspections to ensure a representative national sample. The table below provides an overview of the total number of primary, secondary and all-through school inspections and further inspections carried out from April 2014-March 2015. It also shows the number of schools where we provided support following inspections. Many of these schools have received more than one support visit. The target number of total inspections in the business plan for 2014-15 was 189. There was no target set for additional support and this was provided on an “as required” basis.

2014-15	Total
Primary Inspections	94
Secondary & All-through Inspections	23
Primary Further Inspections	33
Secondary & All-through Further Inspections	12
Total Inspections	162
Target Inspections for 2014-15	189
Primary Schools that received Additional Support	52
Secondary & All-through that received Additional Support	20

- The Access to Education fund 14/15 issued £1.5 million to individual schools, clusters and groups of schools. The fund assists in reducing barriers to learning experienced by pupils from disadvantage backgrounds.
- All Local Partnership Agreements with Education Authorities have been established to provide targeted and customised input from Education Scotland staff to support improvement. A target of eight School Improvement Partnerships was set in the 2014-15 business plan and this target was met.
- 21 special schools/services were inspected in 2014-15 against a target of 14.
- Following significant consultation with stakeholders, the Parentzone website was relaunched. Parentzone Scotland enables parents to access high quality information related to their child's education.
- Course materials to support the new Advanced Highers and Nationals 1 and 2 were published. These provided suggestions on approaches to teaching and learning which will promote the development of knowledge understanding and skills.
- ES Community Learning and Development (CLD) team delivered two new national policies as part of their new policy remit. The development of the Youth Work Strategy and the Adult Learning Statement of Ambition had significant ministerial involvement and interest. Both policies have been well received by the CLD sector in Scotland. The Youth Work Strategy was the subject of a very positive parliamentary debate.
- The ES CLD team delivered organisational support and funding to twenty three CLD national organisations as part of the Strategic Funding Partnerships. This was an increase from nine organisations in 2013-14 and there was a subsequent increase in grant funding of over £1 million. The ES CLD team is now the main funder of the CLD sector in Scotland and this work has been crucial in supporting the implementation of both new policies.
- The ESC LD team has actively increased its work with the Scottish Prison Service (SPS) and are now advising and supporting SPS in their development of quality assurance system around learning in prisons, their new learning contract as well as the on-going work with HM Polmont Young Offenders Institution
- The ESC LD team have continued to develop and pilot new self-evaluation tools with new sectors and this year saw the recruitment of thirty Associate Assessors from the Culture & Sports Sector and their involvement in six out of fifteen Learning Community inspections where the inspection team used both How Good is Our CLD 2 and How Good is Our Culture & Sport. There was also a new inspection approach developed using these tools and How Good is Our School 3 in the inspection review of the Big Noise Project in the Raploch, Stirling. The ES CLD team has also developed a new tool for self-evaluation in the Third Sector ' How Good is Our Third

Sector Organisation' and this is presently being piloted. This tool will significantly increase the profile of ES's work in the large voluntary and community sector as well as supporting self-evaluation approaches in this sector.

- In 2014-15, the Post-16 programme has completed:
 - five external reviews of newly-merged regional colleges for SFC (target 5);
 - phase one of three Action Learning Pilots for SFC
 - fieldwork for four aspect reports for SFC;
 - four external reviews of Careers information, Advice and Guidance provision (target 5);
 - fieldwork for one CIAG aspect report;
 - five prison inspections with HMIP (target 6);
 - development work and preparation for programme of scrutiny for the off-the-job training element of Modern Apprenticeships
- Education Scotland hosted the Scottish Learning Festival in September 2014. A total of 3,015 visitors attended the event (4,381 2012-14), which was held over two days. Delegates attended from all Scottish local authorities. There were approximately 120 international delegates (150 in 2013-14) and 150 exhibitors (170 in 2013-14). In addition, 2014 saw the introduction of the SLF Extra programme. Two of the keynote speakers spoke at other learning events as part of the SLF programme and two SLF keynote presentations were streamed live to practitioners in Dumfries and Galloway. A full programme of SLF Extra events, delivered in partnership with local authorities and other partner organisations have since taken place right across the country.
- Education Scotland has led on delivery of the Teaching Scotland's Future agenda. This includes the Flexible routes to Headship programme and development and support of Scotland's College for Educational Leadership (SCEL).
- The Community Learning and Development Standards Council has delivered a 'Learning Village', has established a membership and registration scheme and approved a range of higher and further education courses. All principal targets and milestones were delivered on or ahead of schedule.

Going concern

The results of the Statement of Comprehensive Net Expenditure derive from operating activities, all of which are continuing. The financial statements for the year ended 31 March 2015 show an overspend against budget of £3.8m (2013-14 £1.1m underspend) and a net liabilities position of £5.3m (2013-14 £2m). The overspend was due additional commitments, on ICT in Learning and SIPP, being undertaken by Education Scotland during the year and for the creation of a provision for a VAT liability. All the additional expenditure will be funded by the Scottish Government. The position of net liabilities has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will

be funded by the Scottish Government as they arise. As a consequence, the financial statements have been prepared on a going concern basis.

Principal risks and uncertainties

The principal risks currently faced by Education Scotland are:

- Successful implementation of Curriculum for Excellence;
- Successful transition of Education Scotland and Local Authority sites onto SWAN;
- Successful implementation of Glow;
- Future budget reductions as part of an overall tightening on public sector funding;
- Recruitment and retention of suitably qualified staff;
- Ensuring that grants awarded contribute to Education Scotland's objectives;
- Ensuring best use of resources through improved business planning and performance management;
- Ensuring the Education Scotland IT system meets enhanced security and records management requirements;
- Lack of clarity on the VAT treatment on non-Education Scotland staff who undertake inspections and develop guidance on the Scottish Curriculum.

Investment Strategy

Education Scotland does not own any of the office accommodation which it uses. The current estates strategy does not include any plans to purchase office buildings but is designed to maximise the use of current leased buildings and to review our requirement in advance of options to terminate a leases at the relevant break point without any financial penalty.

Education Scotland continues to invest in IT hardware and software at a level which is proportionate to the demands of the organisation. We maximise our use of SG systems (for example, accounting, payroll and banking) to ensure that overall costs to the taxpayers are minimised.

Sustainability report

The report includes key carbon management and other environmental sustainability information on how Education Scotland can demonstrate progress towards achieving the targets and actions set out in the Climate Change (Scotland) Act 2009 and other relevant legislation.






The Climate Change (Scotland) Act 2009 created a long-term framework that set out significant challenges for public bodies. These are as follows:

- introduce a statutory target to reduce Scotland's greenhouse gas emissions by at least 80 per cent by 2050;
- establish an interim target of at least 42 per cent emissions reductions by 2020, with a power for this to be varied based on expert advice from the UK Committee on Climate Change;
- establish a framework of annual targets
- include emissions from international aviation and international shipping.

Education Scotland is committed to ensuring that we contribute to these targets by setting our own internal targets and monitoring our performance against them. We have been active in sustainable development work since inception in July 2011, building on predecessor organisation and teams' sustainability targets and actions.

The actions reported here relate to how we are responding to the challenges of the Climate Change Act across our estate and operations. In this sustainability report we show performance against existing targets to reduce CO2 emissions, energy and water used in buildings, work-related transport, and waste collected from estate, amount of materials recycled and associated costs.

Summary of Performance

Area	Performance 2014/15	Status
CO2e	Target – year on year reduction of greenhouse gas emissions.	
Waste	Target – year on year reduction of waste generated.	
Recycling	Target – year on year increase in waste recycled.	
Transport & Travel	Target – year on year reduction in miles travelled.	
Water	Target – year on year reduction in water usage.	

Greenhouse Gas emissions and energy		2012/13	2013/14	2014/15
Non-financial indicators (tonnes CO2e)	Total emissions	-	354	401 (379)
Related energy consumption (mWh)	Electricity non renewable	292	0	0
	Electricity renewable	222	653*	687 (647)
Financial indicators (£k)	Expenditure on energy	85	78	76
	Expenditure on business travel - official travel and fleet costs	408	550	532

Note: The figures used to work out CO2 emissions are as recommended by the Carbon Reduction Commission (CRC). Electricity is kwh multiplied by 0.000533 (2013/14 0.000541). Gas is kwh multiplied by 0.0001846 (2013/14 0.0001836) to give tonnes of CO2 emissions. Source CRC Energy Efficiency Scheme Order: Table of Conversion Factors 2013/14 Version 3: Published December 2014.

*2013-14 excludes Tom Johnstone Road. 2014/15 comparator included in brackets.

WASTE			2012/13	2013/14	2014/15
Non-financial indicators (tonnes)	Total volume of waste (not inc. construction)		24	22	22
	Non-hazardous waste	Recycled	10	12	13
		Landfill (residual)	14	10	9
Financial Indicators (£k)	Total waste disposal cost		6	5	5

Waste Performance, Targets and Commentary

Waste recycling stations are placed in office kitchen areas are located in each of the offices. Overall tonnes for waste have remained constant. Recyclable waste has increased, with the amount sent to landfill decreasing.

WATER		2012/13	2013/14	2014/15
Non-financial indicators (m3)	Consumption	580	2,423	2,403
Financial indicators (£k)	Water supply costs	42	40	42

Finite Resources (Water) Performance, Targets and Commentary

Bills between consecutive years are compared and where there are significant increases site visits arranged and/or leak detection reports commissioned and any problems rectified. Non-financial indicators include water supplied and waste management. Consumption by volume for 2013-14 and 2014-15 includes data for the Optima building, Clydebank and Tom Johnston Road which was not available in 2012-13.

Other: PROCUREMENT Performance, Targets and Commentary

Education Scotland follows the Scottish Government's principles of procurement and our procurement policy includes a requirement to ensure that contract specifications reflect the Scottish Ministers approach to sustainability and where appropriate form part of the evaluation of tenders and conditions of contract.

Education Scotland recognise the importance of a good procurement service in helping us deliver our objectives with limited resources. We have therefore taken the opportunity to engage additional procurement support via the Scottish Government Procurement Shared Services team.

Education Scotland will continue to enforce a minimum order value for stationery to reduce the number of deliveries.

We will encourage the use of videoconferencing and other ICT solutions to reduce the use of hire cars and taxis.

Social, community and human rights

Education Scotland's central purpose is to ensure that everything we do contributes to the Scottish Government's National Purpose of creating a more successful country with opportunities for all to flourish through sustainable economic growth.

Our work in improving quality effectiveness and equality in education contributes directly to the following National Outcomes:

- We are better educated, more skilled and more successful, renowned for our research and innovation;
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens;
- Our children have the best start in life and are ready to succeed;
- We have improved the life chances for children, young people and families at risk; and
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

Financial Review

Financial Resources

Education Scotland is funded by the Scottish Government through the Education and Lifelong Learning Portfolio. The total budget allocated at the start of the year was £23.6m and a further £11.8m of budget was transferred from the Scottish Government during the year to fund work which did not form part of the core work remit. The final budget for 2014-15 was £35.4m. The largest budget transfer was to cover costs associated with ICT in Learning encompassing Glow, Glow content, ICT infrastructure and the Scottish Wide Area network (SWAN). There were also three large budget transfers to support health and well-being, specifically for supporting education around respecting rights, promotion of PE initiatives in schools and for promoting health and well-being through food education. We were also given a budget transfer to allow us to issue grants as part of the Strategic Partnership fund and Community, Learning and Development.

A full list of the budgets transfers and the resulting final budget is shown below.

	£m
Education Scotland budget	23.6
ICT in Learning	5.0
Health and wellbeing- Respecting rights	1.6
Health and wellbeing- Physical education	1.2
Health and wellbeing- Food education	0.8
Strategic partnership funding	1.0
Community, Learning and Development	0.9
Work related learning at school	0.5
Other budget transfers	0.8
Final Education Scotland budget	35.4
Final Education Scotland outturn	39.2
Overspend	3.8
Overspend:	
ICT in Learning budget pressure	2.9
Schools Improvement Partnership grants pressure	0.6
VAT provision	1.0
Savings from core work programme	(0.7)

The financial results for 2014-15 are reported in the attached accounts. They show a net outturn of resource expenditure of £39.1m compared to a budget of £35.35m yielding a net overspend of £3.75m. Capital outturn was £0.1m compared to a budget of £0.05m.

Staff Resources

The average number of whole-time equivalent persons employed by gender is shown in the attached table.

	All	Male	Female
SCS	5	4	1
Other permanent staff	248	77	171
Fixed term appointments	9	2	7
Secondees	54	15	39
Agency staff	18	10	8
Total	334	108	226

Movements in Property, Plant and Equipment

Total non current asset purchases for the year were £0.1m. All of this expenditure related to the purchase of IT hardware and software to replace out of date equipment. There were a number of disposals recorded on the assets register all of which were fully depreciated. Education Scotland's policy on disposals is to recycle equipment where possible.

Significant variances

Staff costs There was an overall increase in expenditure on staff costs in 2014-15 compared with the previous year. This year, a provision of £1m has been created to cover the potential costs of VAT on staff seconded from Local Authorities. There have also been additional costs for staff leaving on voluntary early exit terms.

Grant payments – Additional budget transfers from the Scottish Government were made during 2014-15 to take forward support for health and well-being initiatives, community learning and development and strategic partnership work. The bulk of the resources transferred were intended to be issued as grants to allow organisations to take forward their own plans to improve and develop learning. Grants payments in 2014-15 totalled £5.9m compared to £3.3m in 2013-14, an increase of £2.6m.

ICT in Learning – Expenditure on ICT in Learning covers Glow and also SWAN/ICT infrastructure costs. Expenditure on Glow development has decreased from the position in 2014-15 to £4.03m (2013-14 £5.49m) while expenditure on ICT infrastructure has increased as work has been taken forward in transitioning to SWAN, from £2.3m in 2013-14 to £3.6m in 2014-15. However, overall expenditure on ICT in Learning remains broadly similar with £7.65m in 2014-15 compared to £7.75m in 2013-14.

Future Performance

Education Scotland's core budget is set to increase from £23.6m in 2014-15 to £24.8m in 2015-16. The Scottish Government has transferred responsibility to Education Scotland for issuing grants to youth projects. All of the additional funding is to cover the grant payments themselves and there is no increase to Education Scotland's administrative resources. In real terms this means there is a decrease in funding. We are continuing to plan and prioritise our work and activities to ensure that we are able to deliver our core objectives within budget within a context of increasingly limited public funding.

Dr Bill Maxwell

Chief Executive 19 June 2015

DIRECTORS REPORT

Principal activities

Education Scotland supports quality and improvement in Scottish education by:

- leading and supporting the implementation of Curriculum for Excellence;
- increasing the capacity for self-evaluation and self-improvement amongst education providers and practitioners;
- promoting high quality professional learning and leadership;
- identifying and stimulating innovation, sharing successful approaches widely with others;
- providing independent external evaluations of the quality of educational provision at individual provider, local authority and partners, and national levels; and
- supporting the development and implementation of policy at national level.

The Directors

The Directors of the agency during 2014-15 were:

Dr Bill Maxwell	Chief Executive	
Alastair Delaney	Chief Operating Officer	
Alan Armstrong	Strategic Director Lifelong Learning	
Lesley Brown	Strategic Director Families, Inclusion and Local Authorities	(From 1st December 2014)
Stephen Coulter	Strategic Director Strategy, Performance and Corporate Reporting	(To 19th October 2014)
Graeme Logan	Strategic Director School years	

None of the directors held any company directorships or other significant interests which conflicted with their management responsibilities.

Governance and board structure

The Management Board is chaired by the Chief Executive and includes the Education Scotland strategic directors and four Non Executive Board Members.

The Non Executive Board Members are :

Graeme Ogilvy (To 30 June 2014)

Kate Dunlop

Michael Ewart

Linn Phipps

Moi Ali

Audit and Risk Committee

The Audit and Risk Committee supports the Management Board and the Accountable Officer by reviewing the comprehensiveness of assurances and the integrity and reliability of these assurances. The committee is required to consider the arrangements in place in terms of risk management, governance and internal control and if improvements are needed to provide the necessary assurances. Further details of the Education Scotland Audit and Risk Committee may be found in the Governance Statement. The committee is made up of the following non- executive directors:

Kate Dunlop (Chair)
Iain Nisbet (To 30 June 2014)
Moi Ali
Linn Phipps
Michael Ewart

Pension Liabilities

As civil servants the majority of pension benefits are provided through the Civil Service pension arrangements. More details of the Civil Service Pension Scheme can be found in the annual accounts notes 1.8 and 2.5 and in the remuneration report.

Auditors

The *Public Finance and Accountability (Scotland) Act 2000* places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of the agency. For the financial years 2011-12 to 2015-16, the Auditor General has appointed Audit Scotland to undertake our audit. The general duties of the auditors, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Auditors' remuneration is a notional charge, as notified to us by our auditors, in respect of audit work carried out during 2014-15. No other services were supplied by Audit Scotland during the period ended 31 March 2015.

Internal audit is covered by a service level agreement with the Scottish Government Internal Audit Division.

Disclosure of relevant audit information

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Sickness absence

Staff absences due to sickness are managed using Scottish Government guidance. For the 12 month period from 1 April 2014 to 31 March 2015, an average of 6.2 working days per employee were lost as a result of sickness absence (2013-14: 4.8 days).

Payment of suppliers

Education Scotland policy is to pay all invoices not in dispute within 30 days from receipt of the invoice or the agreed contractual terms if otherwise specified. The agency aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms. The agency has not paid any interest under the *Late Payments of Commercial Debts (interest) Act 1988*.

However, the agency has a target of paying all invoices within ten days. For the year ended 31 March 2015, Education Scotland paid 97% of invoices within ten days (2013-14 95%).

Employees with disabilities

Education Scotland is committed to equality of opportunity for all employees. All disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited to interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities. Opportunities are made available equally to disabled members of staff to assist in their career development. Every effort will be made to retain people who become disabled. This may be done through supplying appropriate equipment or offering different work patterns.

Equal opportunities and diversity

As an Agency of the Scottish Government, Education Scotland adheres to the Scottish Government policy on equal opportunities. All staff are treated equally regardless of sex, marital status, age race, ethnic origin, sexual orientation, disability or religion. Education Scotland is committed to increasing the diversity of staff within the organisation to reflect the people of Scotland, and to valuing positively the different perspectives and skills of all staff and making full use of these in its work.

Employee involvement/consultation and well being

Employees are kept informed about the organisation, its people and business through a range of activities, which includes a staff newsletter, regular face to face briefings with managers and attending events such as staff conferences.

There is a partnership agreement and regular consultation with representatives of trade unions recognised by the Scottish Government. Staff take part in the Scottish Government Employee Survey and participate in task groups and project teams which contribute to the delivery of corporate initiatives.

Education Scotland is committed to ensuring equality of opportunity in respect of access to, and selection for learning and development activities in accordance with individual and team development needs, and our core purpose and strategic priorities. All full and part-time staff, including those on non-standard contracts, have access to learning and development as appropriate for successful performance in their respective roles.

Dr Bill Maxwell

Chief Executive 19 June 2015

Remuneration report

For the year ended 31 March 2015

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

The remuneration of staff below senior civil service level is determined by the Scottish Government. In determining policy, account is taken of the need for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account is the Government's policy on the Civil Service and public sector pay and the need to observe public spending controls.

The remuneration of Education Scotland's Non-Executive Board Members is set by Scottish Ministers taking into account their roles and responsibilities and remuneration levels for comparable public appointments.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Management Board of Education Scotland. The information in this section of the Remuneration Report covering salary and pension entitlements is subject to audit.

Education Scotland is required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in Education Scotland in the financial year 2014-15 was £110-115,000. (2013-14, £110-115,000). This was 2.7 times (2013-14, 2.8) the median remuneration of the workforce which was £41,184 (2013-14, £40,575). The Scottish Government median in the financial year was £31,029 (2013-14, £30,570).

In 2014-15, no employees (2013-14, 0) received remuneration in excess of the highest paid director. Remuneration ranged from £16,442 to banded remuneration of £110-£115,000. (2013-14, £16,042 to banded remuneration of £110-£115,000).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration

Officials	Salary (£'000)		Pension benefits (£'000) ¹		Total (£'000) ^{2 3}	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Bill Maxwell Chief Executive	110-115	110-115	-	28	110-115	135-140
Alastair Delaney Chief Operating Officer	70-75	70-75	9	18	80-85	90-95
Alan Armstrong Strategic Director	70-75	70-75	19	15 ⁵	90-95	85-90 ⁵
Lesley Brown Strategic Director (From 1 st December 2014)	65-70	-	4	-	70-75	-
Stephen Coulter Strategic Director (left 19 th October 2014)	40-45 (70-75 full year equivalent)	25-30 (70-75 full year equivalent)	14	10	55-60	35-40
Graeme Logan Strategic Director	65-70	65-70	27	6 ⁶	90-95	65-70
Neil McKechnie ⁴ Programme Director (Left on 31 st December 2014)	40-45 (70-75 full year equivalent)	40-45 (70-75 full year equivalent)	14	12	55-60	50-55
Moi Ali * Non Executive Board Member	0-5	0-5	-	-	0-5	0-5
Kate Dunlop Non Executive Board Member	0-5	0-5	-	-	0-5	0-5
Michael Ewart Non Executive Board Member	0-5	0-5	-	-	0-5	0-5
Linn Phipps Non Executive Board Member	0-5	0-5	-	-	0-5	0-5
Iain Nesbitt Non Executive Board Member (to 30 th June 2014)	0-5	0-5	-	-	0-5	0-5
Graeme Ogilvy Non Executive Board Member (to 30 th June 2014)	0-5	0-5	-	-	0-5	0-5

Band of Highest Paid Director's Total remuneration (£000's)	£110-£115,000 (2013-14 £110-£115,000) Scottish Government comparative £175-£180,000 (2013-14 £175-£180,000k)
Median Total remuneration	£41,184 (2013-14 £40,575) Scottish Government comparative £31,029 (2013-14 £30,570)
Ratio	2.7 (2013-14 2.8) Scottish Government comparative 5.7 (2013-14 5.8)

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

2 No Benefits in kind were paid in 2013-14 or 2014-15

3 No Bonus Payments were paid in 2013-14 or 2014-15

4 Neil McKechnie left Education Scotland on 31st December under the Voluntary Exit Scheme and received a compensation payment of £25,000 -£50,000.

5 Alan Armstrong was part of a TUPE transfer . Pension benefits 2013-14 (previously stated as £29,000) was aggregated with a preserved award, this has been recalculated to £15,000 as preserved awards are no longer disclosed.

6 Graeme Logan. Pension Benefits 2013-14 previously stated as zero. This erroneously included an inflation adjustment. The adjusted figure is £6,000 which includes a Linked Final Salary correction and no inflation adjustment.

The following board members left in 2013-14 and are not included above. Kenneth Muir (left on 6th December 2013), Sir Andrew Cubie (left on 30th June 2013), Craig Munro (left on 5th January 2013),

*Non-Executive Board member positions are fixed term appointments and are non-pensionable. All payments to management board members were in the £0-5k band. The actual figures for salaries and performance related pay fall within the bandings quoted above. All the above information disclosed in the Remuneration Report has been audited by Education Scotland auditors. The other sections of the Remuneration Report were reviewed by the auditors to ensure they were consistent with the financial statements.

Salary

'Salary' includes pensionable and non-pensionable amounts , gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties. This report is based on accrued payments made by Education Scotland and thus recorded in these accounts.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The Scottish Government suspended non consolidated bonus payments from 2011-12. No bonus payments were made in 2014-15.

Pension Benefits

	Accrued pension at pension age as at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	Cash equivalent transfer value (CETV) at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bill Maxwell Chief Executive	65-70	0-5	1,220	1,157	-	-
Alastair Delaney Chief Operating Officer	25-30	0-5	382	356	4	-
Alan Armstrong¹ Strategic Director	10-15	0-5	187	157	16	-
Lesley Brown Strategic Director	10-15	0-5	155	150	2	-
Stephen Coulter Strategic Director (Left 19/10/2014)	10-15 plus lump sum of 30-35	0-5 plus lump sum of 0-2.5	171	158	9	-
Graeme Logan Strategic Director	15-20	0-5	129	110	8	-
Neil McKechnie Strategic Director (Left on 31/12/2014)	10-15	0-5	237	224	13	-

Non-Executive Board member positions are non-pensionable.

¹ Alan Armstrong was part of a TUPE transfer. Non- aggregated preserved awards are no longer disclosed. Pension benefits 2013-14 previously stated as aggregated with preserved award.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website civilservicepensionscheme.

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at [Civil Service Pensions : The new pension scheme - alpha](#)

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for Loss of Office

No employees left under compulsory early retirement terms in the year 2014-15 (13-14 Nil). One Education Scotland Board member left under voluntary exit terms.

Dr Bill Maxwell

Chief Executive 19 June 2015

Statement of Accountable Officer's Responsibilities

Under section 19 of the *Public Finance and Accountability (Scotland) Act 2000*, the Scottish Ministers have directed Education Scotland to prepare a statement of accounts for each financial year in conformity with the accounts direction included at the end of the notes to the accounts of these financial statements, detailing the resources required, held or disposed of during the year and the use of resources by the agency during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the agency's state of affairs at the year end and of its net resource outturn, recognised gains and losses, and cash flows for the financial year.

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive of Education Scotland as the Accountable Officer. As Accountable Officer, the Chief Executive is responsible to the Scottish Ministers.

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual (FReM), and in particular to:

- observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the agency will continue in operation.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the agency's assets, are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual.

Governance Statement

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of governance that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Education Scotland's governance arrangements comply with generally accepted best practice and with the guidance in *On Board: A guide for board members of public bodies in Scotland*.

Education Scotland Governance Framework

The governance framework comprises the systems, processes, culture and values by which Education Scotland is directed and controlled. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The governance framework accords with guidance from the Scottish Ministers provided in the SPFM and has been in place at Education Scotland for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

Management Board

The Chief Executive has a responsibility to ensure the Agency effectively delivers ministerial policies and is supported in this by the Management Board (MB). The Chief Executive chairs the MB which comprises five staff at director level, who have responsibility for delivery of the outcomes in the directorates which they lead, and four non-executive directors.

The role of the Management Board is to:

- provide effective leadership, direction, support and guidance to the Agency and ensure that the policies and priorities of Scottish Ministers (and the Scottish Government) are implemented;
- ensure that appropriate corporate and business plans are in place for the delivery of the Agency's services and that proper standards of corporate governance are maintained;
- scrutinise and monitor the Agency's performance against its targets; and
- advise the Chief Executive on matters affecting the effective and efficient discharge of the Agency's responsibilities.

The MB met four times during the year to progress the business of the Agency and was provided with regular updates from other committees and groups including the Audit and Risk Committee (ARC) and the Corporate Management Group (CMG).

Audit and Risk Committee

The purpose of the ARC is to support the Chief Executive and the MB by reviewing the reliability and integrity of internal control processes and advising the Chief Executive and MB as to whether they meet the assurance needs of the organisation. It was set up in accordance with the principles set out in The Audit Committee Handbook as updated in March 2008.

The Committee is chaired by Kate Dunlop who is an independent Non-Executive Board Member. The ARC comprises three non-executive members and met four times during the year.

Internal and external auditors also attend the ARC and are able to offer opinion on the adequacy and effectiveness of Education Scotland's risk management, control and governance processes. The terms of reference of the committee state that the auditors have direct access to the Chair of the committee.

Corporate Plan

Education Scotland's Corporate Plan was published in September 2013 and sets out the strategic management priorities for the Agency over a three year period from 2013-14 to 2015-16. The Corporate Plan sets out the overall vision of how we will work with stakeholders to improve Scottish education and the strategic objectives which underpin this vision. The Corporate Plan details the specific commitments for action we have made and also what measures we will use to evaluate our success at delivering on these commitments. At the end of the three year period, we will produce a report of our impact and effectiveness, which will link into the development of the next three year plan.

Business Plan

Business plans are produced annually which align to the vision and objectives set out in the Corporate Plan. The annual Business Plan reflects current priorities and targets. It sets out our targets at a much more detailed level so that performance can be monitored and measured within individual teams within the organisation.

Framework Document

The Framework Document is published on Education Scotland's website and sets out the roles and responsibilities of Ministers, key officials and the authority which has been delegated to the Agency's Chief Executive. It provides the authority to commit expenditure to support the achievement of Education Scotland's objectives and confirms the responsibility to ensure that systems are in place so that funding can only be used in furtherance of those objectives.

The Chief Executive sub delegates financial and budgetary authority so that resources are managed effectively at an operational level and so ensure best value for the organisation as a whole.

Register of Interests

Education Scotland staff record interests in the appropriate section of the HR database. Non-Executive Directors are required to declare any interests at each meeting.

Complaints procedure

The complaints procedure for external stakeholders is published on Education Scotland's website. This gives clear instructions on how to contact the agency in order to make a complaint and the timescale within which a response should be expected.

Education Scotland adheres to the Scottish Government policy on whistleblowing and reporting fraud. There is a whistleblowing hotline which staff can contact directly.

Purpose of the system of Internal Control

The system of internal control is a significant part of the governance framework and is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Education Scotland's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of the Effectiveness of Internal Control

As Accountable Officer, I have responsibility for conducting, at least annually, a review of the effectiveness of the agency's governance framework including the system of internal control. The review of effectiveness is informed by:

- Regular review of and discussion of internal controls at Management Board and Audit and Risk Committee
- A joint certificate of assurance is produced by the heads of directorate and programme managers;
- weekly meetings of the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- an annual report of performance of the Audit and Risk Committee which is given to the Management Board;
- the work of the internal auditors, who submit to the organisation's Audit and Risk Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement; and
- comments made by the external auditors in their management letters and other reports.

The following processes have been established.

- Education Scotland's Management Board sets and monitors the delivery of Corporate and Business Plans. The Board comprises the agency's Corporate Management Group and four independent, external members. It is scheduled to meet four times a year and receives regular reports on progress against performance targets.
- Education Scotland's Audit and Risk Committee is chaired by one of the four external Board members, who make regular reports to the Management Board on matters concerning internal control. At least three external members must be present at each meeting of the Audit and Risk Committee.

- Through the Audit and Risk Committee, I receive regular reports from internal audit which include the Head of Internal Audit's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
- I chair Education Scotland's Corporate Management Group, which comprises the five senior staff at Director level.
- The remit of each Director and the directorate structure are designed to make clear the responsibilities for delivering Education Scotland's business objectives. Each Director has established programme and policy boards to oversee the effective attainment of key outcomes and to feed performance information into Corporate Management Group, Management Board and the Audit and Risk Committee.
- Through the regular and frequent meetings of the Corporate Management Group and systematic business review meetings with each individual Director, I receive reports on the steps they are taking to manage the risks in their areas of responsibility, including progress reports on key priorities for Education Scotland. Improvements to our business planning system also support these reviews.

Best Value

The Scottish Spending Review 2011 identified planned budgets up to 2014-15 and throughout this period there has been a year on year reduction in Education Scotland's core budget. A more limited budget has required us to be more focused in our efforts to ensure that we achieve the maximum value and benefits we can from the resources we have available.

- Governance - Updates to the Education Scotland governance arrangements during 2014-15 are intended to support delivery of 'Best Value' principles whilst achieving our objectives. In my role as Chief Executive, I am supported by CMG which comprises a Chief Operating Officer and three strategic directors. There are four strategic boards which support CMG. These are:

People Board - whose function is to build the capacity of our people, to promote good ways of working and a positive culture;

Resources Board - whose function is to ensure resources are allocated in a way that will ensure efficient, effective and economic delivery of Education Scotland's objectives;

Strategic Impact Board - whose function is to monitor the effectiveness of actions in delivery of our objectives. This is a new board which was set up during 2014-15 to focus on outcomes and ensure there was more rigour in assessing whether we were making a difference;

Change Board - whose function is to ensure that change projects are established and monitored so that they deliver expected outcomes within the resource and time budgets allocated.

- Performance Management - Improved performance management processes have been put in place during 2014-15. There is still work to be done in ensuring these are fully embedded but there has been significant progress during the year and whilst the impacts are limited for 2014-15, for 2015-16 and beyond the impacts will be more

demonstrable. We do not intend that this process is static with a particular end point but more as a cycle of continuous improvement in reporting performance.

- Procurement - We recognise the importance of a good procurement service in helping us deliver our objectives with limited resources. We have therefore taken the opportunity to engage additional procurement support via the Scottish Government Procurement Shared Services Team. The additional costs of this service have been met by the savings and efficiencies generated from improved procurement systems.
- Grants - Education Scotland continues to issue a significant number of grants. We have therefore directed additional resources this year to ensuring that there is evidence that grants are made to projects which demonstrate best value principles and are being used as intended.

Risk and Control Framework

All bodies to which the Scottish Public Finance Manual is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM

Comprehensive risk registers have been established, which identify owners for all key risks that may affect the delivery of our business objectives, and which categorise risks using a robust prioritisation methodology. The risk registers detail mitigating actions, status and the risk owner. The Audit and Risk Committee monitor performance in managing the corporate level risks contained in the registers.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

In particular, in the period covering the year to 31 March 2015 and up to the signing of the accounts the organisation has carried out the following.

- Reviewed and maintained an overarching corporate level risk register which is informed and supported by comprehensive risk registers at the directorate/programme level. Regular reports are sent to both the Corporate Management Group and the Audit and Risk Committee.
- Directorate/programme boards review and monitor internal evaluation of all aspects of control and delivery.
- There were a number of corporate and directorate/programme level training events held during the year. These provided training and dissemination of good practice to Education Scotland staff and the wider teaching community.

Significant Risk Related Matters

The following list highlights the most significant risk related matters which arose during 2014-15.

- Curriculum for Excellence – Curriculum for Education (CfE) aims to bring about improvement in education by providing a coherent and flexible curriculum for learners from 3 to 18. Education Scotland is leading on and supporting this project and it is vital that we continue to engage with stakeholders so that the benefits of CfE can be fully realised. A curriculum to develop and nurture excellence in young learners will bring benefits for all of Scotland and we therefore need to have regular engagement with stakeholders and a process of continuous review, assessment and evaluation. The risks associated with not realising the benefits are high and we therefore continue to work with stakeholders and commission independent evaluations to minimise this.
- Scottish Wide Area Network (SWAN) – SWAN is a single public services IT network for the use of all public services within Scotland. It is being delivered through a framework contract with Capita IT services. Education Scotland is one of the vanguard partners and we are acting on behalf of local authorities (and schools via the local authority network) as well as Education Scotland offices. Work on transitioning the existing network links for Local Authorities on to SWAN was expected to be finished before the end of the 2014-15 financial year but some work has still to be completed. We are continuing to work with Capita to ensure that transitions are completed smoothly and successfully and with no interruption to the network service, so that there is minimal risk to the local authorities. Given that the work on transition is not yet complete and there continues to be a risk of service disruption, this is still an area of risk for Education Scotland.
- Glow – Glow is a national learning platform which is used to support learning and teaching in Scottish education. A new suite of Glow services were successfully completed in October 2014 together with the introduction of clear service management processes. This work formed part of an ICT in Learning programme with Education Scotland working in partnership with Learning Directorate and Digital Directorate in Scottish Government. New governance arrangements were established and programme management processes, including risk management, were applied. Local Authorities, who are the main customers, were represented on the board from both an education and ICT perspective. Customer engagement was undertaken through Glow Key Contact meetings and wider consultation is being conducted via a National Digital Learning Forum. The programme is continuing to work with customers to evolve and support the services available and to promote and exemplify the educational use.
- Financial Management – financial management will remain a significant risk in the foreseeable future as budgets continue to be tight. The risk is being mitigated by ensuring that staff have the requisite level of training and that the importance and value of good financial management is reinforced throughout the organisation. For this financial year our final position is showing an overspend of £3.4m. This is almost entirely due to spend on Glow – partly funded by ourselves and partly from core Scottish Government. The likely level of spend was identified as an ELLD Portfolio pressure early in the year and was notified to SG in August 2014. It is possible that

the requirement to fund additional commitments from within our core budget will continue in future years and we continue to develop our financial management systems to ensure that our forecasts are as robust as possible.

- VAT liability – We have included a provision of almost £1m to cover the potential VAT on staff who are seconded from local authorities. The costs of staff seconded to Education Scotland, who are developing curriculum materials and inspecting schools, had previously been treated for VAT purposes as a supply of education. HMRC have now indicated that they believe that VAT is liable on the costs of staff undertaking this work. This has the potential to have a significant impact on our operational costs for this year but we continue to dispute the VAT liability with HMRC.
- Education Scotland IT platform – Education Scotland brought together HMIE and Learning and Teaching Scotland, both of which used separate IT systems. There was therefore a requirement to move to a single IT platform to remove the risks associated with the inability to readily share and store information. A separate Education Scotland IT platform was developed. Following the issue of Cabinet Office guidance on security, it was decided to move corporate IT support to the Scottish Government platform in order to minimise both the risks and costs. All Education Scotland staff have now moved to the SG IT platform. Additional enhancement to document security and storage will be implemented during 2015-16 as we move to the SG electronic records management system.
- Staff resources – reducing budgets will continue to impact on the numbers of staff who can be recruited and this has the potential for an associated impact on existing staff who are required to deliver our objectives with less resource. Allocation of staff resources needs to be managed carefully and one of the challenges for the 'Resources Board' and the 'People Board' is to ensure that we have the correct mix of the numbers and grades of staff who have the skills and experience that the organisation needs.
- Grants – grant payments to external organisations have increased year on year from £1.8m in 2011-12 to £5.9m in 2014-15. There are additional risks not only in practical terms of ensuring that the correct amounts are paid at the correct time, but more importantly that the grants are issued to projects which are delivering outcomes which benefit pupils, schools and communities. Although Education Scotland had already reviewed and updated the process by which grants are issued, we requested that our internal auditors include this as part of the 2014-15 audit and advise on any further improvements that could be made.
- Business Planning and Performance Management – the Agency identified that improvements to business planning could deliver significant benefits in terms of resource allocation and utilisation. This was taken forward and as a result we have seen clear improvements in the ability to plan and the robustness of the plans developed. Alongside this we have started work on improvements to the performance management processes. There is still some work to do on this and further refinements are expected during 2015-16.

Personal data related incidents

There were no personal data related incidents during 2014-15 (2013-14 no incidents).

Conclusion

No significant weaknesses or failures have arisen which have compromised good governance, risk management or internal controls. Any risks identified have been managed appropriately.

Dr Bill Maxwell
Chief Executive 19 June 2015

Independent auditor's report to Education Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Education Scotland for the year ended 31 March 2015 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Mark Ferris (FCCA)
Senior Audit Manager
Audit Scotland
18 George Street
Edinburgh , EH2 2QU

22 June 2015

Statement of comprehensive net expenditure

		2014-15 £'000		2013-14 £'000	
	Notes	Staff Costs	Other Costs	Income	Total
Administration costs					
Staff costs	2	20,028			20,028
Depreciation	5,6		356		356
Other administration costs	3		20,689		20,689
Gross administration costs					41,073
Operating income	4			(1,985)	(1,985)
Other income	4			(26)	(26)
Totals		20,028	21,045	(2,011)	39,062
Net operating costs for the year					39,062
Net gain on revaluation of Property, Plant and Equipment					3
Total comprehensive expenditure for the year ended 31 March 2015					39,065
					33,601

The notes on pages 39-51 form part of these accounts.

Statement of Financial Position as at 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Non Current Assets			
Property Plant & Equipment	5	1,178	1,448
Intangible Assets	6	20	4
Total Non Current Assets		<u>1,198</u>	<u>1,452</u>
Current Assets			
Inventories	8	37	52
Trade Receivables	9	156	94
Prepayments and accrued income	9	133	263
Total Current Assets		<u>326</u>	<u>408</u>
Total Assets		<u>1,524</u>	<u>1,860</u>
Current Liabilities			
Trade Payables	10	(520)	(256)
Other payables		(20)	(15)
Accruals and deferred income		(5,210)	(3,452)
Financial Liabilities			
Provisions	11	(984)	(31)
Other Liabilities			
Total Current Liabilities		<u>(6,734)</u>	<u>(3,754)</u>
Non-current assets less net current liabilities		<u>(5,210)</u>	<u>(1,894)</u>
Non Current Liabilities			
Trade Payables		(61)	(70)
Provisions	11	(36)	(50)
Financial Liabilities			
Total Non Current Liabilities		<u>(97)</u>	<u>(120)</u>
Assets less Liabilities		<u>(5,307)</u>	<u>(2,014)</u>
Taxpayer Equity			
General Fund		(5,376)	(2,095)
Revaluation Reserve		69	81
Total Taxpayers Equity		<u>(5,307)</u>	<u>(2,014)</u>

Dr Bill Maxwell
Chief Executive

The notes on pages 39-51 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Cash flows from operating activities			
Net operating cost		(39,062)	(33,583)
Adjustment for non cash transactions:			
Depreciation	5,6	356	413
Audit fee	3	35	36
Movement in provision for VAT	10,11	953	(215)
Provision for early retirement utilised in year	11	(14)	(38)
Exchange Gain/Loss		0	1
Movements in working capital:			
(Increase)/decrease in inventories	8	15	(40)
(Increase)/decrease in trade and other receivables	9	68	131
Increase/(decrease) in trade and other payables	10	2,027	(1,477)
Net cash outflow from operating activities		<u>(35,622)</u>	<u>(34,772)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(84)	(187)
Purchase of intangible assets	6	(20)	0
Loss on disposal of property plant and equipment	5	(5)	-
Net cash outflow from investing activities		<u>(109)</u>	<u>(187)</u>
Cash flows from financing activities			
Funding from Scottish Government		35,731	34,959
Net financing			
Net increase/(decrease) in cash and cash equivalents in the period		0	0

The notes on pages 39-51 form part of these accounts.

Statement of Changes in Taxpayer's Equity for the year ended 31 March 2015

Notes	General fund £'000	Revaluation reserve £'000	Total £'000
Balance at 1 April 2013	(3,524)	100	(3,424)
Changes in taxpayers equity for 2013-14			0
Non cash charges –auditors remuneration	36		36
Net operating cost for the year	(33,593)		(33,593)
Net funding	34,959		34,959
Transfers between reserves	27	(19)	8
Balance as at 31 March 2014	(2,095)	81	(2,014)
Balance at 1 April 2014	(2,095)	81	(2,014)
Changes in taxpayers equity for 2014-15			
Non cash charges –auditors remuneration	35		35
Net operating cost for the year	(39,062)		(39,062)
Net funding	35,731		35,731
Transfers between reserves	15	(12)	3
Balance as at 31 March 2015	(5,376)	69	(5,307)

The notes on pages 39-51 form part of these accounts.

Notes to the financial statements

1. Accounting policies

In accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the *Public Finance and Accountability (Scotland) Act 2000*, (reproduced at the end of the notes to the accounts),

The financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Scottish Government. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Education Scotland for the purpose of giving a true and fair view has been selected. The particular policies adopted Education Scotland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets to fair value as determined by the relevant accounting standard and in accordance with the IFRS based Government Financial Reporting Manual (FReM).

1.2 Going concern

The financial statements for the year ended 31 March 2015 show an overspend of £3.8m and a net liabilities of £5.3m. Two areas which contributed to the overspend were Glow and the Schools Improvement Partnership Project both of which were unfunded. The likely level of spend was identified as a Learning Directorate pressure early in the year and was notified to SG in August 2014. The overspend will be met from within the ELLD portfolio. Additionally, a provision for potential VAT liability has been established. The position of net liabilities has arisen as a result of the requirement to account for the activities of Education Scotland on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, it has been considered appropriate to prepare these financial statements on an ongoing basis.

1.3 Inventory

The inventory includes all publications and software held by Education Scotland. Inventory is stated at current cost.

1.4 Property, plant and equipment

All property, plant and equipment (PPE) assets are accounted for as non-current assets unless they are deemed to be held for sale. PPE assets comprise leasehold improvements, furniture and fittings, computer equipment, plant and machinery and

vehicles. They are capitalised at their cost of acquisition and installation. Plant and equipment assets that have short useful lives or low values or both are reported at depreciated historic cost as a proxy for fair value.

The minimum level of capitalisation of a PPE asset is £1,000. Computer equipment, furniture and fittings include individual assets whose costs fall below the threshold, but as they are of a similar nature, are grouped together and capitalised.

Education Scotland does not own any land or buildings. Charges for the rental of accommodation are included in the statement of comprehensive net expenditure.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Education Scotland and the cost can be measured reliably. The carrying amount of any replaced parts is derecognised. All other repairs and maintenance are charged to the statement of comprehensive net expenditure during the financial period in which they are incurred.

1.5 Intangible Assets

Intangible Assets comprise of ICT Software Licence and ICT Software. The minimum level of capitalisation of an Intangible asset is £1,000. Software includes individual assets whose costs fall below the threshold, but as they are of a similar nature, are grouped together and capitalised. They are capitalised at their cost of acquisition and installation.

1.6 Depreciation and Amortisation

Depreciation is provided at rates calculated to write off the valuation of non current assets by equal instalments over the expected useful lives of the assets concerned. The expected useful lives are as follows:

Leasehold improvements	The shorter of the asset life or remaining lease term
Furniture and fittings	10 years
Vehicles	5 years
Plant and equipment	5 years
Photocopiers	3 years
IT equipment	3 years

Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.7 Value added tax (VAT)

Education Scotland receives funding from the Scottish Government Education and Lifelong Learning Portfolio to meet expenditure incurred, inclusive of VAT. However, in order to comply with Government Accounting Regulations and normal commercial practice, operating costs are stated net of VAT where VAT is recoverable by the agency.

Education Scotland is registered for VAT as part of the Scottish Government, which is responsible for recovering VAT from HM Revenue and Customs on behalf of the agency.

1.8 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents benefits. The agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Relevant disclosures are reported in Note 2.5.

1.9 Operating income

The main sources of operating income are the income received in respect of the service level agreement held with the Scottish Further and Higher Education Funding Council (SFC) and sales of software licences to schools.

1.10 Foreign currency exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where the rates do not fluctuate significantly, in which case an average rate for the period is used. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive net expenditure.

1.11 Leases

Education Scotland leases its office accommodation and a data distribution centre. All of these leases are operating leases and the rentals are charged to the operating cost statement on a straight-line basis over the term of the lease.

1.12 Trade payables/receivables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for any impairment. A provision for impairment of trade receivables is made where there is objective evidence Education Scotland will not be able to collect all amounts due under the original terms of the contract.

2. Staff

2.1

Staff costs	2014-15 £'000			2013-14 £'000
	Permanent Staff	Others	Total	
Wages and salaries	10,816	5,360	16,176	13,722
Social security costs	968		968	927
Other pension costs	2,252		2,252	2,142
Sub Total	14,036	5,360	19,396	16,791
Early Severance costs	607		607	13
Holiday pay accrual	25		25	35
Total Net Costs	14,668	5,360	20,028	16,839

2.2 The average number of whole time equivalent persons employed during the year was follows:

	2014-15		Total
	Permanent Staff	Others	
Directly Employed	253	9	262
Agency staff		18	18
Secondees		54	54
Total	253	81	334

	2013-14		Total
	Permanent Staff	Others	
Directly Employed	252	11	263
Agency staff		13	13
Secondees		51	51
Total	252	75	327

2.3 Staff costs and associated costs have gone up from the position in 2013-14. The increase in costs is due to the creation of a provision of £1m to cover a potential VAT liability for staff seconded from local authorities and the costs associated with staff leaving on early exit packages.

2.4 Costs of Civil Service Compensation Scheme and early severance payments

2014-15

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
<£10,000	0	1	1
£10,000-£25,000	0	2	2
£25,000-£50,000	0	4	4
£50,000-£100,000	0	4	4
£100,000-£200,000	0	1	1
Total number of exit packages	0	12	12
Total resource cost	0	£513k	£513k

2013-14

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (Total cost)
<£10,000	0	0	0
£10,000-£25,000	0	1	1
£25,000-£50,000	0	0	0
£50,000-£100,000	0	0	0
£100,000-£200,000	0	0	0
Total number of exit packages	0	1	1
Total resource cost	0	£15k	£15k

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Scottish Government, in conjunction with Education Scotland, has agreed early retirements, the additional costs are met by the agency and not the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in this table.

2.5 Pensions

The PCSPS is an unfunded multi-employer defined benefit scheme but Education Scotland is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2012. Details can be found in the separate scheme statement of the PCSPS Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2014-15, employer's contributions of £2,222,659 were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% per cent (2013-14 – 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Government Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £29,382 (2013-14 £26,893) were paid to one or more of an appointed panel of stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions of up to a limit of 3% of pensionable pay. In addition, employers contributions (0.8% of pensionable pay) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due to the partnership pension or prepaid at the balance sheet date.

As an Agency of the Scottish Government, all Education Scotland Staff are Scottish Government employees and any existing pension liabilities will be met by the Scottish Government.

3. Other administration costs

	2014-15	2013-14
	£'000	£'000
3.1 Costs		
Costs of Software sales	398	620
Grants	5,935	3,290
SWAN/ ICT infrastructure costs	3,617	2,268
Glow	4,029	5,490
Practitioner events	690	539
External advice	299	249
Contractors	1,251	1,604
Consultancy	1	2
Associate members costs	48	52
Lay members costs	6	9
Travel and subsistence	1,307	1,289
Training costs	73	136
Reports and publications	197	177
Rent, rates, utilities and maintenance	1,396	1,782
Advertising costs (including recruitment)	113	109
Other Office costs		
IT system support	495	626
IT maintenance and consumables	213	214
Office equipment	5	1
Telecoms costs	128	126
Postage	248	257
Stationery	57	52
Copier rental	59	67
Catering	68	75
Books and periodicals	10	10
Legal costs	10	18
Loss on disposal of Non Current assets	5	0
Health and Safety	1	0
Other office expenditure	9	13
	20,668	19,075

	2014-15	2013-14
	£'000	£'000
3.2 Non cash charges		
Audit fee	35	36
Exchange rate loss	0	1
Provision utilised in year	(14)	(38)
Total (3.1 and 3.2)	20,689	19,074

4. Income

	Income Received 2014-15 £'000	Income Received 2013-14 £'000
SFC Income	1,056	1,015
Local authority and other grants	92	829
Software sales	381	537
Income from distribution service	201	191
Conferences (income from attendees and contributions from other organisations)	90	25
Reimbursement of payments made on behalf of SCEL	155	-
Sales of publications	10	11
Other Income	26	125
Total	2,011	2,733

The largest source of income received is from the Scottish Funding Council for services provided under a Service Level Agreement. The SLA sets out Education Scotland's responsibilities for undertaking external review of colleges, reporting on specific areas and themes, as well as professional support and improvement activities. The aim is to recover the full cost of carrying out these activities. Costs are recovered by charging the full cost for each day spent carrying out SLA work.

There is a fall in local authority and other grants from 2013-14. The 2013-14 figures included £450k from the Scottish Government to fund a specific piece of work on 'Improving Teacher Education'.

Income from software sales has also fallen. Education Scotland has a central software contract which is used to purchase software for schools at a significant discount. This is then issued to schools as requested and schools are recharged only the cost of the software at the discounted rate. The level of income is demand led and varies each year depending on the number of requests that come in from schools.

5. Property plant and equipment

	Leasehold improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	2,307	1,004	339	16	2,062	5,728
Additions					84	84
Disposals		(528)	(27)		(1,453)	(2,008)
Revaluation Adjustments	9					9
At 31 March 2015	2,316	476	312	16	693	3,813
Depreciation						
At 1 April 2014	1,368	873	311	12	1,716	4,280
Charge for year	150	81	6	3	112	352
Disposals		(523)	(27)		(1,453)	(2,003)
Revaluation Adjustments	6					6
At 31 March 2015	1,524	431	290	15	375	2,635
Net Book Value						
At 31 March 2015	792	45	22	1	318	1,178
At 31 March 2014	939	131	28	4	346	1,448

	Leasehold improvements	Furniture and fittings	Plant and equipment	Vehicles	IT Systems	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	2,283	1,369	339	16	2,526	6,533
Additions					187	187
Disposals		(365)			(651)	(1,016)
Revaluation Adjustments	24					24
At 31 March 2014	2,307	1,004	339	16	2,062	5,728
Depreciation						
At 1 April 2013	1,196	1,147	305	10	2,214	4,872
Charge for year	156	91	6	2	153	408
Disposals		(365)			(651)	(1,016)
Revaluation Adjustments	16					16
At 31 March 2014	1,368	873	311	12	1,716	4,280
Net Book Value						
At 31 March 2014	939	131	28	4	346	1,448
At 31 March 2013	1,087	222	34	6	312	1,661

6. Intangible Assets

	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2014	120	17	137
Additions	20		20
Disposals	(118)		(118)
Revaluation			
At 31 March 2015	22	17	39
Amortisation			
At 1 April 2014	119	14	133
Charge for year	1	3	4
Disposals	(118)		(118)
Revaluation	-	-	-
At 31 March 2015	2	17	19
Net book value			
At 31 March 2015	20	0	20
At 31 March 2014	1	3	4
	Software Licences £'000	Other Software £'000	Total £'000
Cost			
At 1 April 2013	120	17	137
Disposals			
Revaluation			
At 31 March 2014	120	17	137
Amortisation			
At 1 April 2013	117	11	128
Charge for year	2	3	5
Disposals			
Revaluation	-	-	-
At 31 March 2014	119	14	133
Net book value			
At 31 March 2014	1	3	4
At 31 March 2013	3	6	9

7. Financial instruments

As the cash requirements of Education Scotland are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non financial items in line with Education Scotland's expected purchase and usage requirements and Education Scotland is therefore exposed to little credit, liquidity or market risk.

8. Inventory

	2014-15	2013-14
	£'000	£'000
General Inventory	37	52

The inventory includes all publications and software held for sale by Education Scotland. The stock level has decreased this year as a number of publications for new national qualifications which were produced last year have now been distributed.

9. Trade receivables, financial and other assets

	2014-15	2013-14
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	156	94
Prepayments and accrued income	133	263
	289	357
Owed by bodies external to Government	289	357
Owed by other Government bodies	-	-
	289	357

10. Trade payables and other liabilities

	2014-15	2013-14
	£'000	£'000
Amounts falling due within one year		
Trade payables	520	256
Other payables	20	15
Accruals and deferred income	5,210	3,452
	5,750	3,723
Central government creditors	1,330	934
Local government creditors (including schools)	1,429	1,359
NHS	8	122
Other creditors	2,983	1,308
	5,750	3,723
Amounts falling due after more than one year		
Other payables	61	70
Total non-current liabilities	61	70

Accruals in 2013-14 included an adjustment for service charges for the Optima building in Glasgow. Service charges for the Optima are paid directly by the Scottish Government and therefore the accrual of £86k should not have been included.

11. Provision for liabilities and charges

	Early Departure Costs £'000	VAT £'000	Total £'000
Balance as at 1 April 2014	64	17	81
VAT liability		953	953
Provisions utilised in year	(14)		(14)
Provisions not required and written back		-	-
Balance as at 31 March 2015	50	970	1,020

Analysis of timings of early departure costs

	2014-15	2013-14
	£'000	£'000
Provision for early retirement costs		
Payable in one year	14	14
Payable between 2-5 years	36	45
Payable between 6-10 years	0	5
Total	50	64

Education Scotland meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding by estimating a provision for the estimated payments.

12. Leasing commitments

At 31 March 2015, Education Scotland was committed to making the following payments in respect of building leases:-

	2014-15	2013-14
	£'000	£'000
Obligations under operating leases for the following periods compromise:		
Not later than one year	508	486
Later than one year and not later than five years	1,736	1,791
Later than five years	262	341

Education Scotland occupies space in the Optima building in Glasgow. The lease for the Optima building is held by the by the Scottish Government and rent and service charges are paid to the landlord directly by the lessor. The Optima is therefore accounted for by the Scottish Government.

13. Related party transactions

Education Scotland is an Executive Agency of the Scottish Government Education and Lifelong Learning Portfolio, which is therefore regarded as a related party. During the year, Education Scotland had a number of material transactions with the Scottish Government. In addition, Education Scotland has had a small number of various material transactions with other Government Departments and other central Government bodies, such as the SFC. No board member, key manager or other related parties has undertaken any material transactions with Education Scotland during the year.

14. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities existing at 31 March 2015 (31 March 2014: nil).

15. Losses and special payments

There were no losses or special payments made during the year. (31 March 2014: nil).

16. Post balance sheet events

There are no material post balance sheet events that require to be adjusted in the accounts or to be disclosed.



Education Scotland

Direction by the Scottish Ministers

1. The Scottish Ministers, in accordance with section 19(4) of the *Public Finance and Accountability (Scotland) Act 2000* hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2012, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 10 January 2012

T +44 (0)141 282 5000

E enquiries@educationscotland.gov.uk

W www.educationscotland.gov.uk

Education Scotland, Denholm House, Almondvale Business Park, Almondvale Way,
Livingston, EH54 6GA

Transforming lives through learning

© Crown Copyright, 2015

You may re-use this information (excluding images and logos) free of charge in any format or medium, under the terms of the Open Government Licence providing that it is reproduced accurately and not in a misleading context. The material must be acknowledged as Education Scotland copyright and the document title specified.

To view this licence, visit <http://nationalarchives.gov.uk/doc/open-government-licence> or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.